

**Dwelling Place
Of
Grand Rapids Inc.**

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Testimony for Michigan's Housing and Community Development Fund

Building a future for all of Michigan's Citizens

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Dwelling Place Position Statement

The Current Condition



Community Development Challenges

I am now serving in my 19th year as the CEO of Dwelling Place. In that time, we have created hundreds of construction jobs with more than \$70 million of construction activity. We have added or preserved more than 700 units of affordable and market rate housing across West Michigan. Our experience has included urban, suburban and rural communities.

We have added 39 commercial/retail locations in the City of Grand Rapids within the real estate we have developed bringing new business life back to urban neighborhoods and previously vacant structures. We have first hand experience with attracting investors, business and residents to our properties.

With that background, I come here today to share with you just one recent example of the wide ranging impact that community development activity (the type of activity that the "Michigan Housing and Community Development Fund" is intended to stimulate across Michigan) can have.

Various analysis which you have already received have suggested that the leveraging impact of this fund would be substantial as a means to stimulate new investment in the state, to create jobs and to improve the quality of life in our communities and neighborhoods.

I want to do more than simply tell you how critical the leveraging impact of this potential new source of capital is for Michigan communities. **I WANT TO DEMONSTRATE THAT TO YOU!**



The Martineau Project

(The impact of one community development project)

The Martineau Project was completed at the end of 2005 and is just an example to illustrate how one project can have an enormous impact on the economic, social and political well being of a neighborhood and a city.

Imagine this scenario:

- 1) Your community has a dilapidated and vacant group of 3 buildings occupying nearly an entire city block with no perceived potential because of their physical dilapidation and their location in a neighborhood viewed as undesirable and unsafe. What can you do with it?
- 2) Your community has a desire to attract investment, entrepreneurs and residential development to breathe new life into this area but few tools to do it. How can your community reach its desired goal?

Answer:

The Martineau Project was conceived to renovate these three circa 1910 buildings into viable commercial/retail space and desirable live/work spaces for entrepreneurs that wanted to live in the downtown area and work from their homes. It was hoped that the project would have a transformative impact on nearby properties and ultimately the entire neighborhood and downtown.

These buildings are now home to 23 of these unique live/work spaces as well as several commercial and educational venues. The entrepreneurs attracted to these spaces included photographers, graphics design firms and furniture designers, to name just a few. The commercial/educational venues include a retail café and catering business and Calvin College with its Art Department faculty studios and a gallery. Gaylen Byker, the President of Calvin College, indicated that the quality of the project and extent of investment into the site was what attracted their interest and helped them to establish their first major downtown presence.

The financial resources to complete this \$10,558,000 undertaking became possible though the infusion of private investment capital attracted by state and federal tax credits but also leveraged by public dollars made available from local, state and federal government. The actual true state outlay of funds in

this project accounted for just over 6% of the total project coming primarily from the tax expenditure funded state brown field and historic tax credits.

MSHDA and the City of Grand Rapids provided 9.6% of the funding through federal HOME funds block granted to them from the federal government. While the state funds represented just over 6% of the total cost, its role in filling gaps was critical to secure underwriting approvals to close on bank financing and investor equity. Aside from the long term economic and quality of life benefits caused by this investment, the 18 month construction project generated employment for hundreds of persons during the development and construction phases, creating profits and maintaining jobs for many businesses including contractors, architects, surveyors, appraisers, lawyers, market analysts, accountants and manufacturers to name just a few.

This project has also helped to stimulate other private investment in nearby buildings on both sides of the street from this project. Six (6) new retail and commercial businesses opened in these other adjacent properties.

Martineau Only By the Numbers

Leveraging	\$10,558,000
Public Portion of Total Funds	<u>14.15%</u>
<ul style="list-style-type: none"> State MCACA Grant City of Grand Rapids Federal HOME Funds MSHDA Federal HOME Funds City of Grand Rapids Brownfield TIF 	<ul style="list-style-type: none"> \$ 30,000 \$ 394,000 \$ 620,000 \$ 450,000
Private Funds Leveraged	<u>85.85%</u>
<ul style="list-style-type: none"> National City Bank (commercial loan) National City Bank CDC (Federal New Markets Tax Credit equity) National City Bank CDC (Federal Historic Tax Credit equity) National City Bank CDC (State Historic Tax Credit equity) National City Bank CDC (State Brownfield Tax Credit equity) Private Philanthropy Owner and Tenant Investment including Real Estate 	<ul style="list-style-type: none"> \$2,019,000 \$2,280,000 \$1,366,000 \$ 209,000 \$ 440,000 \$1, 095,000 \$1,655,000

Tax Revenues and Job Creation

INCOME TAX

We now estimate that at least 25 new retail and commercial positions were created as a consequence of this investment. While it is not yet clear how much increased income tax revenue will be generated by these positions, the total will quickly dwarf the state investment in the project. Add to this the income taxes generated by the more than 100 construction employees at this site over 18 months as well as the new positions created by the opening of adjacent businesses and the numbers become even more impressive. Each of these new positions will pay city, state and federal income tax.

PROPERTY TAX

Property taxes generated by this project prior to the renovation were less than \$6,000 annually. Property taxes generated following the renovation exceed \$25,000 annually.

SALES TAX

While the Martineau project has not been in operation for a long enough period of time to offer an accurate projection for the potential sales taxes that the several retail outlets and professional businesses will generate along Division Avenue, the total will be a 100% increase over those taxes generated from the previously vacant and dilapidated structures that dominated this landscape just three years ago.

Beyond the Tax Revenue and Job Creation

The character of a neighborhood changes when blight disappears. People come back to the neighborhood; to live; to work; to play; to go to school; to go to church; to flourish. For the Martineau project; the eventual sale of the live/work spaces to the occupants at the end of the New Markets Tax Credit Compliance period in seven years will be the culmination of a remarkable neighborhood revitalization strategy that could not have been possible without the public incentives that attracted investors to the most challenged section of Division Avenue in the City of Grand Rapids.

SUMMARY

I came here today to share just one example of the multiplier impact created by the kind of community development investment that the Michigan Community Development Fund could stimulate on a broad scale across the state in every community facing economic development challenges.

My message in simple terms is this:

While many of the benefits associated with community development can be systematically documented, significant private investment can only be achieved when elected officials recognize how public policy attracts that investment. Ladies and Gentlemen: We have an opportunity here to build a better Michigan with a real jobs program! Government has a unique opportunity to be a real force for good!